| 1<br>2<br>3<br>4<br>5 | Steven M. Strauss, State Bar No. 099153 Michael S. Levinson, State Bar No. 104155 Paul A. Tyrell, State Bar No. 193798 PROCOPIO, CORY, HARGREAVES & SAVITCH LLP 530 B Street, Suite 2100 San Diego, California 92101 Telephone: (619) 238-1900 Facsimile: (619) 235-0398 |   |  |
|-----------------------|--|---|--|
| 6                     | Casey Gwinn, City Attorney   |   |  |
| 7                     | Anita M. Noone, Assistant City Attorney James M. Chapin, Senior Deputy   |   |  |
| 8                     | California State Bar No. 118530<br>OFFICE OF THE CITY ATTORNEY   |   |  |
| 9                     | CIVIL DIVISION 1200 Third Avenue, Suite 1100   |   |  |
| 10                    | San Diego, CA 92101<br>Telephone: (619) 533-5800<br>Facsimile: (619) 533-5856  |   |  |
| 11                    |  |   |  |
| 12                    | Attorneys for Defendant City of San Diego  |   |  |
| 13                    | SUPERIOR COURT OF THE STATE OF CALIFORNIA  |   |  |
| 14                    | FOR THE COUNTY OF LOS ANGELES  |   |  |
| 15                    |  |   |  |
| 16                    |  |   |  |
| 17                    | CHARGERS FOOTBALL COMPANY, LLC, a California limited liability company,  | Case No. BC 306758  |  |
| 18                    | Plaintiff,   | DECLARATION OF STEVEN M.<br>STRAUSS IN SUPPORT OF CITY OF |  |
| 19                    | v.   | SAN DIEGO'S MOTION FOR<br>TRANSFER OF VENUE TO            |  |
| 20                    | CITY OF SAN DIEGO, a municipal   | SAN DIEGO COUNTY AND<br>REQUEST FOR ATTORNEYS' FEES       |  |
| 21                    | corporation,   | D   |  |
| 22                    | Defendant.   | Date: January 16, 2004 (Reserved)<br>Time: 9:00 a.m.      |  |
| 23                    |  | Dept: 51 Judge: Hon. Irving S. Feffer                     |  |
| 24                    | ,  | Complaint Filed: November 25, 2003 Trial Date: None Set   |  |
| 25                    |  |   |  |
| 26                    |  |   |  |
| 27                    |  |   |  |
| 28                    |  | ,   |  |

### I, Steven M. Strauss, declare:

- I am an attorney duly licensed to practice law before all courts in the State of California. I am an attorney at Procopio, Cory, Hargreaves & Savitch, L.L.P., attorneys of record for Defendant City of San Diego ("the City"). I have personal knowledge of the facts set forth below, with the exception of those matters stated on information and belief, and as to those matters, I believe them to be true. If called as a witness, I could and would testify to the truth thereof.
- 2. Prior to making this Motion to Transfer Venue to San Diego County, I sent a letter dated December 2, 2003 to Harriet Posner, Esq., at Skadden, Arps, Slate, Meagher & Flom, counsel of record for the Chargers. My letter to Ms. Posner requested that "the Chargers immediately stipulate to transfer the Complaint to San Diego which is the only proper venue for this lawsuit." I further advised Ms. Posner that if the Chargers refused to stipulate to transfer venue to San Diego County, "the City shall file its Motion for Change of Venue and request attorney fees and reasonable expenses incurred as permitted under Code of Civil Procedure Section 396b." A true and correct copy of my December 2, 2003 letter is attached hereto as Exhibit 1.
- 3. On December 3, 2003, Ms. Posner rejected the City's offer to stipulate to a transfer of venue to San Diego County without providing any reason or authority and simply stating "with respect to your letter of yesterday, needless to say we disagree with your claims about the propriety of Los Angeles as a forum for this case." A true and correct copy of Ms. Posner's December 3, 2003 letter is attached hereto as Exhibit 2.
- 4. Attached hereto as Exhibit 3 is a true and correct copy of a document entitled "Questions and Answers About the Action for Declaratory Relief" which was attached to the copy of the Complaint that was served by the Chargers on the City.
- 5. As a partner in this firm, head of the firm's litigation team and the billing partner in this matter, I am familiar with the amount of time spent by the attorneys in my office in connection with this motion and I know the hourly rates of those attorneys.

- 6. As of this date, more than \$20,000.00 in attorneys' fees has been incurred for the research, analysis, drafting and other tasks performed by myself and the other attorneys in my office in relation to the making of this motion.
- 7. At least \$5,000 in additional attorneys' fees will be necessarily and reasonably incurred to review and analyze the Chargers' opposition, prepare a reply and travel to and participate in the oral argument of this motion. I will prepare, and submit at or before the hearing of this motion, an additional declaration specifying the additional amount incurred for those tasks.
- 8. Considering the circumstances, including the complexity of issues involved in this motion and the significance of this matter, an award of \$25,000.00 in attorneys' fees and expenses pursuant to Code of Civil Procedure section 396b(b) is reasonable.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed this 5th day of December 2003 at San Diego, California.

Steven M. Strauss



530 B Street • Suite 2100 • San Diego, California 92101-4469 Telephone 619-238-1900 • Fax 619-235-0398 www.procopio.com

Steven M. Strauss
Direct Dial: (619) 515-3246
E-mail: sms@procopio.com

December 2, 2003

Via Facsimile & U.S. Mail

Harriett S. Posner Skadden, Arps, Slate, Meagher & Flom LLP 300 South Grand Avenue, Suite 3400 Los Angeles, CA 90071-3144

Re:

Chargers Football Company, LLC v. City of San Diego

Los Angeles Superior Court Case No. BC306758

Dear Ms. Posner:

We represent the City of San Diego in the above-referenced action. It is unfortunate that the Chargers have chosen to sue the City of San Diego with five months remaining in the good faith negotiating period. The patently improperly filing in Los Angeles is even more disturbing.

The purpose of this correspondence is to request that the Chargers immediately stipulate to transfer the complaint to San Diego which is the only proper venue for this lawsuit. Under Code of Civil Procedure Section 395, venue is only proper where (1) the defendant (City) resides, or (2) the Use Agreement was made, or (3) the Use Agreement was to be performed, all of which are in San Diego. The Chargers' contention in Paragraph 7 of the Complaint that Section 32(a) of the Use Agreement provides for venue in Los Angeles is disingenuous at best. Section 32(a) of the Use Agreement does not mention venue or Los Angeles. Regardless, there are no exceptions under California law to the statutory venue provisions in Code of Civil Procedure Section 395.

Please be further advised that if the Chargers refuse to stipulate to transfer venue to San Diego on or before close of business on Wednesday, December 3, 2003, the City shall file its motion for change of venue and request attorneys' fees and reasonable expenses incurred as permitted under Code of Civil Procedure Section 396b.

Sincerely,

Steven M. Strauss

Atwen U. Steares

cc: Mayor Dick Murphy
City Council Members

Office of the City Attorney

# SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

300 SOUTH GRAND AVENUE

LOS ANGELES, CALIFORNIA 90071-3144

TEL: (213) 687-5000 FAX: (213) 687-5600 http://www.skadden.com

December 3, 2003

FIRM/AFFILIATE OFFICES

BOSTON
CHICAGO
HOUSTON
NEWARK
NEW YORK
PALO ALTO
RESTON
SAN FRANCISCO
WASHINGTON, D.C.
WILMINGTON
BEIJING

BRUSSELS FRANKFURT HONG KONG LONDON MOSCOW PARIS SINGAPORE SYDNEY TOKYO TORONTO

### Via Facsimile and U.S. Mail

Steven M. Strauss, Esq. Procopio Cory Hargreaves & Savitch LLP 530 B Street, Suite 2100 San Diego, California 92101-4469

Re:

Chargers Football Company, LLC v. City of San Diego,

Case No. BC 306758 (the "Action")

Dear Mr. Strauss:

We write in response to (1) statements made by various representatives of the City following the filing of the Action, and (2) your letter of yesterday.

First, City officials have made statements that appear to suggest that Los Angeles may be an inappropriate forum because of potential bias. However, the relatively sparse amount of attention that this matter has received in Los Angeles confirms our view that Los Angeles is an appropriately neutral forum. Nevertheless, in an effort to eliminate any unnecessary disputes, the Chargers are willing to address any concern about bias in either of the following ways:

- (1) As was proposed to the City on numerous occasions by the Chargers, we are prepared to submit the matters raised in the Action to arbitration in San Diego before The Honorable J. Lawrence Irving (a respected retired federal judge who has been designated by the City and the Chargers as their preferred arbitrator for disputes that may arise between them in connection with ADA issues at Qualcomm Stadium). And, as we have stated repeatedly to your client, the Chargers propose that the arbitration include discovery and public access to filings and proceedings consistent with what would otherwise be available in litigation as well as an appellate process. For your convenience, we enclose a copy of a proposed Supplement to the Use Agreement (including arbitration provisions) that we sent to your client in July, 2003; or
- (2) If the City insists that it is necessary to proceed in Superior Court and you continue to maintain that Los Angeles is not a neutral forum, the Chargers are prepared to stipulate to transfer the Action to the Superior Court for either Orange County or San

Steven M. Strauss, Esq. Procopio Cory Hargreaves & Savitch LLP December 3, 2003 Page 2

Francisco County, at your election. We believe that either of these Courts would serve as an equally neutral forum for the Action.

Second, with respect to your letter of yesterday, needless to say we disagree with your claims about the propriety of Los Angeles as a forum for this case. While we are prepared to consider alternatives to Los Angeles, we are not willing, as you request, to stipulate to transfer the Action to San Diego.

Finally, we are surprised by your reference to the fact that the lawsuit was filed with five months remaining in the negotiating period. As you know, my colleague Allan Mutchnik sent a letter to the City Attorney on Monday voicing the Chargers' commitment to continuing the negotiations and requesting proposed meeting dates. (A copy of Mr. Mutchnik's December 1, 2003 letter is enclosed.) I believe that he is still awaiting a response.

We look forward to hearing from you at your earliest convenience with respect to these proposals.

Very truly yours,

Harriet S. Posner

**Enclosures** 

# SUPPLEMENT NUMBER FOUR TO THE 1995 AGREEMENT FOR PARTIAL USE AND OCCUPANCY OF SAN DIEGO JACK MURPHY STADIUM

between

CHARGERS FOOTBALL COMPANY, LLC a California limited liability company

and

THE CITY OF SAN DIEGO, a municipal corporation

DATED: as of August\_, 2003

# SUPPLEMENT NUMBER FOUR TO THE 1995 AGREEMENT FOR PARTIAL USE AND OCCUPANCY OF SAN DIEGO JACK MURPHY STADIUM

THIS SUPPLEMENT NUMBER FOUR TO THE 1995 AGREEMENT FOR PARTIAL USE AND OCCUPANCY OF SAN DIEGO JACK MURPHY STADIUM ("Supplement Number Four") is made and entered into as of August \_\_\_, 2003, at San Diego California, by and between the CITY OF SAN DIEGO, a municipal corporation (the "City"), and the CHARGERS FOOTBALL COMPANY, LLC, a California limited liability company (the "Chargers").

### **RECITALS**

- A. On May 30, 1995 the City and Chargers Football Company, a California limited partnership (as predecessor-in-interest to the Chargers) (the "Partnership") entered into the 1995 Agreement for Partial Use and Occupancy of the San Diego Jack Murphy Stadium, a copy of which is on file in the Office of the City Clerk as Document Number OO-18182-1 (the "Original Agreement"). Pursuant to the Original Agreement, the City agreed to make certain improvements (the "Improvements") to the San Diego Jack Murphy Stadium now known as Qualcomm Stadium (the "Stadium").
- B. In order to facilitate the completion of the Improvements, the City and the Partnership entered into that certain Supplement Number One To The 1995 Agreement For Partial Use And Occupancy Of San Diego Jack Murphy Stadium, dated as of April 7, 1997 ("Supplement Number One").
- C. The City appointed a Citizens' Task Force on Chargers Issues (the "Task Force") to, among other things, determine what can be done "to keep the Chargers in San Diego in a fiscally responsible way that the public will support." In order to give the Task Force ample time to complete its work prior to the commencement of the renegotiation process under the Agreement, the parties entered into that certain Supplement Number Two To The 1995 Agreement For Partial Use And Occupancy Of San Diego Jack Murphy Stadium, dated as of January 28, 2003 ("Supplement Number Two").
- D. On March 4, 2003, the Chargers delivered a Renegotiation Notice to the City (the "March Renegotiation Notice"). The ninety (90) day negotiation period referenced in Paragraph (b)(ii) and the first clause of the first sentence of Paragraph (b)(iii) of Section 31 of the Agreement commenced on March 4, 2003. In order to extend the length of such negotiation period by an additional ninety (90) calendar days, the parties entered into that certain Supplement Number Three To The 1995 Agreement For Partial Use and Occupancy Of San Diego Jack Murphy Stadium, dated as of May 20, 2003 ("Supplement Number Three"). The Original Agreement, as supplemented by Supplement Number One, Supplement Number Two and Supplement Number Three, is

hereinafter referred to as the "Agreement." All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

E. The additional ninety (90) day negotiation period referenced in the preceding paragraph expires on August 31, 2003. The parties now desire to further supplement the Agreement to extend the length of such negotiation period by an additional eight (8) months and make certain modifications to the Agreement to facilitate their negotiations.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Chargers and the City hereby agree as follows:

# 1. Modifications to the Agreement.

The Chargers and the City hereby agree to the following modifications to the Agreement:

1.1 <u>Negotiation Period</u>. Notwithstanding anything to the contrary in Section 31 of the Agreement, with respect to the March Renegotiation Notice only:

Paragraph (b)(ii) of Section 31 of the Agreement is hereby deleted and replaced with the following:

(b)(ii) Upon the delivery of a Renegotiation Notice, the parties hereto shall negotiate in good faith for a fourteen (14) month period ending on May 1, 2004 (the "Negotiation Period") to agree upon mutually acceptable terms for an amendment to this Agreement to offset the impact on the Chargers of the Triggering Event; provided, however, that neither party shall be precluded from conducting negotiations with third parties during the Negotiation Period. If the parties hereto reach an agreement within the Negotiation Period, they shall execute and deliver an amendment hereto immediately after reaching such agreement and in any event not later than ten (10) Business Days after the end of the Negotiation Period. If the parties do not reach an agreement within the Negotiation Period, then subparagraph (iii) below shall apply.

The first sentence of Paragraph (b)(iii) of Section 31 of the Agreement is hereby deleted and replaced with the following:

(b)(iii) If, within the eighteen (18) month period following the end of the Negotiation Period provided for in subparagraph (ii) above, the Chargers execute a letter of intent providing for the Chargers' use of another stadium with any third party, the Chargers shall offer the City a ninety (90) calendar day period after the execution of such letter of intent within which to execute an amendment hereto which matches the financial and overall economic terms of the proposed third party transaction as set forth in such letter of intent.

- 1.2 Payments to the City. Notwithstanding anything to the contrary in the Agreement, in lieu of the Chargers' payment obligations set forth in Section 8(b) of the Agreement and any other agreement between the City and the Chargers, the Chargers shall pay to the City as consideration for the Chargers' use and occupancy of the Stadium Premises for (a) the 2003 Pre-Season and Regular Football Season, Two Million Dollars (\$2,000,000) payable in four (4) installments of Five Hundred Thousand Dollars (\$500,000) on September 30, 2003, October 31, 2003, November 30, 2003 and December 31, 2003 and (b) any Post-Season Game played at the Stadium immediately following the 2003 Regular Football Season, the consideration set forth in the provisions of Section 8(b)(v) of the Agreement. The Chargers shall receive as a credit against such payments, the amounts received by the City with respect to 2003 from (i) the fifteen percent (15%) increase in revenue received by the City from Volume Service America, Inc. referenced in Section 1.18 of Supplement Number One and (ii) "Net Signage Revenue" pursuant to Section 1.a.ii of the Agreement, dated March 24, 2000, by and among the City, the Chargers and Padres, L.P., as amended.
- 1.3 <u>City Guarantee</u>. Section 9 of the Agreement will be inapplicable as to the 2003 Pre-Season and 2003 Regular Football Season only.

### 2. Resolution of Certain Issues.

The Chargers and the City agree that it is in their mutual interest to seek the independent and objective determination of an arbitrator with respect to the following matters (collectively, the "Issues"): (i) the validity of the March Renegotiation Notice and (ii) the meaning of Section 31(b)(iii) of the Agreement as it pertains to the calculation of amounts, if any, payable by the Chargers to the City on any Termination Date. Therefore, the parties agree to submit the Issues to binding arbitration in accordance with the terms of this Section 2.

Deciding Arbitrator. Within ten (10) days following the execution of this Fourth Supplement, the City and the Chargers shall jointly contact Judge J. Lawrence Irving and request that he serve as the "Deciding Arbitrator" (as hereinafter defined). As used herein, the term "Deciding Arbitrator" shall mean Judge J. Lawrence Irving; provided, however, should Judge Irving be unavailable to serve as Deciding Arbitrator, the Deciding Arbitrator shall be determined in accordance with this paragraph. As used herein, the term "Arbitrator" shall mean a disinterested, impartial retired judge of the Federal Court, the California Courts of Appeal, or the California Supreme Court with experience in California matters involving commercial contract disputes. On or before the fifth (5th) business day following the date upon which the parties learn that Judge Irving is unavailable (the "Notice Date"), the parties shall jointly request from one or more mutually acceptable alternative dispute resolution organization(s) (collectively, the "ADR Organization") a list of eleven (11) Arbitrators. If the parties cannot within seven (7) days from the receipt of such list agree to the identity of the Deciding Arbitrator from among the names on such list, they shall return said list, with up to five names deleted therefrom by each party, to the ADR Organization, which shall choose from the remaining names on the list the identity of the Deciding Arbitrator.

- Arbitration of the Issues. Within ten (10) days following the engagement of the Deciding Arbitrator (or as soon thereafter as possible as permitted by the Deciding Arbitrator's schedule), the Chargers and the City shall meet with the Deciding Arbitrator to agree upon the schedule, procedures and rules that shall govern the arbitration of the Issues; provided, however, that the parties agree that the arbitration shall be conducted in a manner that allows for: (i) reasonable discovery, (ii) the full briefing and hearing of all Issues and (iii) a final decision on the Issues to be rendered by the Deciding Arbitrator prior to January 31, 2004. The parties shall (1) equally share the fees and expenses of the Deciding Arbitrator and (2) pay for their own attorneys' fees, charges and disbursements and all other expenses incurred in connection with the arbitration.
- Judgment / Jurisdiction. Judgment in a court of competent jurisdiction may be had on the decision of the Deciding Arbitrator. The parties hereto each irrevocably consents and submits to the jurisdiction of the courts in the State of California, County of San Diego, and waives any objection which each now or hereafter may have to the venue of any such action or proceeding to compel arbitration under this Fourth Supplement and for entry of a final judgment on any arbitration award.
- 2.4 Appeal. Any decision of the Deciding Arbitrator may be appealed by either party to a panel consisting of three (3) Arbitrators (the "Appellate Panel"). California Code of Civil Procedure section 1286.2 shall not operate to circumscribe the grounds for vacating or overturning the Deciding Arbitrator's decisions. Rather, the decisions of the Deciding Arbitrator shall be fully appealable to the same extent available to a party appealing a decision of a trial court. Any party wishing to appeal any decision of the Deciding Arbitrator shall serve a written notice (a "Notice of Appeal") on the other party within five (5) business days of receipt of the decision that it wishes to appeal. Within five (5) business days of the service of any Notice of Appeal, the parties shall jointly request from the ADR Organization a list of fifteen (15) Arbitrators. If the parties cannot within seven (7) days from the receipt of such list agree to the identity of the Appellate Panel from among the names on such list, they shall meet and alternate striking one (1) name at a time from the list until three (3) names on the list remain. The three (3) remaining names on the list shall comprise the Appeals Panel. Within five (5) business days following the appointment of the Appellate Panel, the parties shall meet with the Appellate Panel to agree upon the schedule, procedure and rules that shall govern the appeal; provided, however, that the parties agree that the appeal shall be conducted in a manner that allows for (i) full briefing and hearing of all appellate issues and (ii) a final decision on the appellate issues to be rendered by the Appellate Panel within two (2) months following the delivery date of the Notice of Appeal. All decisions of the Appellate Panel shall be final and binding, and not subject to further appeal. In the event that a party challenges a decision of the Deciding Arbitrator through the appellate process specified in this paragraph, the prevailing party shall recover all of such party's reasonable costs and attorneys' fees, charges and disbursements incurred in such appellate proceeding.

MSW - Draft

#### 3. Covenant Not to Sue.

The City and the Chargers agree to not commence any legal proceedings (other than the arbitration of the Issues and any action to enforce the terms of this Supplement Number Four) against the other or their respective affiliates in connection with the Agreement during the Negotiation Period.

#### 4. General Provisions.

- Effect of Supplement. In the event of any inconsistency between the Agreement and this Supplement Number Four, the terms of this Supplement Number Four shall prevail. Except as expressly set forth herein, the terms and conditions of the Agreement and the rights and obligations of the parties shall remain unmodified and in full force and effect. The Agreement, as supplemented and modified by this Supplement Number Four, represents the entire agreement between the parties hereto with respect to the subject matter thereof and supersedes all other written and oral agreements with respect to such subject matter.
- Governing Law. This Supplement Number Four shall be construed in accordance with, and the transactions described herein shall be governed by, the laws of the State of California (without regard to its principles of conflict of laws) as to all issues, including, without limitation, issues of validity, interpretation, effect, performance and remedies.
- Amendments. This Supplement Number Four may not be amended 4.3 or modified, except in writing signed by both of the parties hereto.
- Headings. Section headings used herein are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Supplement Number Four.
- Counterparts. This Supplement Number Four may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, and all of which shall together constitute but one and the same instrument.

# CONFILENTIAL - DRAFT

| written above by The City of San I | Diego, ac | t Number Four is executed as of the date first ting by and through its City Manager, uthorizing such execution, and by the |
|------------------------------------|-----------|--|
| 4                                  |           |  |
|                                    | THE       | CITY OF SAN DIEGO  |
|                                    |           |  |
|                                    |           |  |
|                                    | By:       |  |
|                                    | Dy.       | Name:  |
|                                    |           | Title:   |
| ·                                  |           |  |
|                                    |           |  |
|                                    |           | GERS FOOTBALL COMPANY, LLC, fornia limited liability company   |
|                                    | By:       |  |
|                                    | ъy.       | Dean A. Spanos   |
|                                    | •         | President - CEO  |
| •                                  |           |  |
| I HEREBY APPROVE the               | form and  | legality of the foregoing Supplement   |
| Number Four this day of            |           | 0 0 11   |
|                                    |           |  |
|                                    |           |  |
|                                    | CASE      | Y GWINN, City Attorney   |
|                                    | •         |  |
|                                    |           |  |
|                                    | D         |  |
|                                    | By:       |  |
|                                    |           | Leslie J. Girard   |

# SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

300 SOUTH GRAND AVENUE

LOS ANGELES, CALIFORNIA 90071-3144

TEL: (213) 687-5000 FAX: (213) 687-5600 http://www.skadden.com

December 1, 2003

FIRM/AFFILIATE OFFICES BOSTON CHICAGO HOUSTON NEWARK PALCALTO RESTON SAN FRANCISCO WASHINGTON, D.C. WILMINGTON BEIJING BRUSSELS FRANKFURT HONG KONG MOSCOW PARIS SINGAPORE SYDNEY TOKYO

TORONTO

# VIA TELECOPY AND U.S MAIL

City Attorney
City of San Diego
1200 Third Avenue, Suite 1620
San Diego, California 92101-4199
Attention: Leslie J. Girard, Esq.
Assistant City Attorney

Dear Les:

As I mentioned in my voicemail to you last Wednesday, the Chargers' lawsuit seeking a determination regarding the validity of the "trigger" notice is intended to remove what has been a significant impediment to our negotiations. Because we remain committed to making progress in these negotiations, we are eager to continue our regular meetings with the City's negotiating team during the negotiation period.

At the end of our last meeting, you indicated that you would propose dates for future meetings. Please let me know as soon as possible what dates will work for your team. Thank you.

Very truly yours,

Allan G. Mutchnik

cc:

Jeanne M. Bonk Mark D. Fabiani

### **QUESTIONS AND ANSWERS**

# ABOUT THE ACTION FOR DECLARATORY RELIEF

### O: What is the lawsuit about?

A: The lawsuit asks the court to decide whether the Chargers have validly triggered the renegotiation clause in the team's lease with the City of San Diego. This determination – called a declaratory judgment – is the sole purpose of the lawsuit. The lawsuit does not seek any money or other damages from the City.

### Q: What does the trigger mean?

A: If the Chargers did validly trigger the renegotiation clause in the lease, then a process specified by the lease is set in motion. Both parties are required to negotiate in good faith for 90 days. If the parties do not reach agreement, the Chargers then have 18 months during which to deliver an offer from another city. The City of San Diego is then allowed by the lease 90 days to match that offer. If San Diego does not do so, the Chargers are free to move to the new city after paying a termination fee to San Diego, if applicable under the lease.

The Chargers triggered the renegotiation clause on March 4, 2003. Since then, the 90 day negotiation period has been extended two times at the request of the City. The last extension, which is now in effect, expires on May 1, 2004.

A: In November 2002 (prior to the delivery of the trigger notice), the Chargers offered to open the team's trigger books to the City of San Diego. The City refused that offer. Again, on March 4, 2003 (at the time of the trigger), the Chargers repeated the offer to open the trigger books. This time the City accepted the offer, and City auditors and attorneys spent several days in the Chargers' offices reviewing trigger-related documents. In response to a City request made at that time, the Chargers made available additional trigger data, but the City has declined to review that data. For over 6 months now, the City has refused to acknowledge or challenge the trigger.

The Chargers believe that the public should know the facts about the trigger. If the team validly triggered, then the team's lease in San Diego could be over as soon as the end of the 2003 season. The public deserves to know this before they are asked to consider a new stadium proposal. Unless some

Q: Why is getting an answer on the trigger so important?

resolution of the trigger issue is reached, one way or the other, the Chargers cannot expect public support for a new stadium in San Diego.

That is why the Chargers accepted a community offer to arbitrate the trigger issue and eliminate the ticket guaranty for two years. Now that the City has rejected the community's offer, the only way to resolve the trigger issue is to bring an action for declaratory relief.

- Q: Does this mean that negotiations between the City and the Chargers have ended?
- A: The Chargers are prepared to continue negotiating with the City of San Diego until the current negotiating period expires on May 1, 2004. This negotiating period continues to be non-exclusive.
- Q: Why did the Chargers file the lawsuit in Los Angeles instead of San Diego?
- A: The team's lease with the City of San Diego expressly provides that either side can enforce the contract in any court in California. Both parties recognized in the lease that a "neutral" forum (somewhere other than San Diego) was appropriate for disputes involving the lease. Los Angeles is readily accessible to all concerned and is the location of the Chargers' long-time counsel.
- Q: What if the City agreed to arbitrate the trigger issue?
- A: The Chargers would gladly drop the lawsuit immediately if the City of San Diego agreed to the proposal made by the labor and business communities to arbitrate the trigger issue.
- Q: What happens to the ticket guaranty?
- A: The City of San Diego has rejected an offer from the business and labor communities to arbitrate the trigger and eliminate the ticket guaranty for this season and for next season. As a result, the ticket guaranty remains in place and will end after the preseason games in 2007.